

## **ECONOMIC DEVELOPMENT COMMITTEE**

**DATE:** March 22, 2006

**CALLED TO ORDER:** 5:02 p.m.

**ADJOURNED:** 6:25 p.m.

### **ATTENDANCE**

#### ATTENDING MEMBERS

Jackie Nytes, Chair  
Patrice Abduallah  
Virginia Cain  
Lonnell Conley  
Isaac Randolph, Jr  
Joanne Sanders

#### ABSENT MEMBERS

Marilyn Pfisterer

### **AGENDA**

PROPOSAL NO. 32, 2006 - reappoints George Pillow to the Indianapolis Economic Development Commission

“Postponed” until April 12, 2006

Vote 5-0

PROPOSAL NO. 124, 2006 - appoints Venita J. Moore to the City Market Corporation board of directors

“Postponed” until April 12, 2006

Vote 5-0

PROPOSAL NO. 125, 2006 - appoints Debra M. Simmons Wilson to the City Market Corporation board of directors

“Postponed” until April 12, 2006

Vote 5-0

PROPOSAL NO. 165, 2006 - an inducement resolution for Camby Woods, L.P. in an amount not to exceed \$14,000,000 which consists of the construction of a 220-unit apartment complex to be known as Camby Woods Apartments located at 7700 Camby Road (District 22)

“Do Pass”

Vote 6-0

PROPOSAL NO. 100, 2006 – imposes a county economic development income tax on the adjusted gross income of county taxpayers – Public Hearing

“Postponed” until April 12, 2006

Vote 6-0

## **ECONOMIC DEVELOPMENT COMMITTEE**

The Economic Development Committee of the City-County Council met on Wednesday, March 22, 2006. Chair Jackie Nytes called the meeting to order at 5:02 p.m. with the following members present: Patrice Abdullah, Virginia Cain, Lonnell Conley, and Joanne Sanders. Isaac Randolph, Jr. arrived shortly thereafter. Absent was Marilyn Pfisterer. Representing Council staff was Bart Brown, Chief Financial Officer, and Aaron Haith, General Counsel.

PROPOSAL NO. 32, 2006 – reappoints George Pillow to the Indianapolis Economic Development Commission

PROPOSAL NO. 124, 2006 - appoints Venita J. Moore to the City Market Corporation board of directors

PROPOSAL NO. 125, 2006 - appoints Debra M. Simmons Wilson to the City Market Corporation board of directors

Chair Nytes said that the appointees that were scheduled for tonight will not be able to make it and asked for the Committee's patience to reschedule for a later meeting.

Councillor Sanders moved, seconded by Councillor Abdullah, to "Postpone" Proposal Nos. 32, 124 and 125, 2006 until April 12, 2006. The motion carried by a vote of 5-0.

[Clerk's note: Councillor Randolph arrived at this time 5:05 p.m.]

PROPOSAL NO. 165, 2006 - an inducement resolution for Camby Woods, L.P. in an amount not to exceed \$14,000,000 which consists of the construction of a 220-unit apartment complex to be known as Camby Woods Apartments located at 7700 Camby Road (District 22)

Rod Morgan, Attorney representing the Economic Development Commission, said that this is a project that was originally introduced and heard by the Metropolitan Development Committee. At that time, the Economic Development Commission and the Metropolitan Development Committee recommended approval of the inducement resolution; but after consultation and some investigation, the developer decided to pull the request for inducement. The developer has reconstituted the development team and made some modifications, but nothing significant since it was last introduced. Mr. Morgan said that the developer understands that if issued, the bonds will not be an obligation of the City of Indianapolis and there will not be any tax revenues utilized. The developer is a Minority Business Enterprise (MBE) and the Economic Development Commission unanimously recommended that this project be approved. Mr. Morgan said that the City recommends approval of the request, and the developer has agreed to work with the City to try to implement any changes that the City may request.

Chair Nytes said that a great deal of information was provided to the Committee, but said that there were a few questions previously asked by the Metropolitan Development Committee regarding the extent to which the developers had communicated with the neighborhoods and community in the proposed area. She asked if the developers can share what has been done since that time to gain the acceptance of the neighborhoods and community. Mr. Morgan said that there have been continuous attempts to communicate with the community groups. Dan Hubbard, Attorney with Woodson, Davis, and Hubbard, said that originally the developers were not able to get on the Decatur Township Civic League's schedule last Fall when the State made the announcement of another bond volume. He said that when the project began again in December, the developers met with the group in January and presented the project, but were unable to get on their schedule for a follow-up meeting in February. However, he said that correspondence continued to be exchanged between the group and the developers. Chair Nytes asked if the developers have the support of the group. Mr. Hubbard answered in the negative, but stated that he is unaware if the group has ever voted on anything to officially object to the project. Mr. Morgan said that there is nothing that leads to the belief that there is any change in the position of the group from last year. He believes that their goal for the area was to have retail development, and this is a multi-family housing project. The land owner was present at the Economic Development Commission meeting and said that there is retail planned for the area but it would be adjacent to this project. Mr. Hubbard said that the portion for this project has already been zoned multi-family with a portion zoned single family.

Councillor Abdullah asked what the overall impact would be if the project goes forward. Mr. Morgan said that there is a major industrial complex in close proximity to where the development is proposed, which will allow for people to live close to their place of employment. He said that it will provide a positive tax roll impact, as it is currently a corn field.

Councillor Sanders asked if more information can be given about the housing mix, as the material states that it will be affordable housing. Mr. Morgan said that the area is looking at a 60% average median income (AMI), but there are discussions with the developer and Metropolitan Development staff to lower some of the rent targets. Mr. Hubbard said that the developers also spoke with the City about working toward lower targets. He said that the City's original position was to include some 30% AMI units. But the developers met with the Coalition for Housing and some homeless organizations and discussed that possibility. He said that no groups could be found that were willing to partner with the developer because there is no public transportation to the site; therefore, is not very feasible. He said that the City is aware of that but wanted to be sure that it was explored. The developer partnered on some other projects that are on public transportation sites. Councillor Sanders asked if the developers will be within the range based on the housing tax credit that for which they will apply. Mr. Hubbard answered in the affirmative.

Councillor Cain asked if the developers have spoken with Councillor Cockrum about this project, as it is in his district. Mr. Hubbard said that he spoke with him and was asked to send a narrative. He said that he sent the information, but has not received a response.

Chair Nytes said that she has not heard from Councillor Cockrum regarding the project either and expects that if he had a problem that he would have been in touch with someone. She said that she thinks that it is imperative that the developers consult with Councillor Cockrum.

Chair Nytes asked if the developers have consulted with the public school system. Mr. Hubbard said that he has left phone messages and has sent emails, but has received no response. Mr. Morgan said that a report has also been submitted that is required to be sent to the school district. Mr. Hubbard said that he believes that the school board was present at some of the zoning hearings.

Councillor Abdullah asked if there has been any consideration or studies done in regards to traffic and the impact the project will have on traffic volume. Mr. Hubbard said that as part of the development, the owner has agreed to set aside 20 acres for the City as a right-of-way for the Ameriplex complex. Mr. Morgan said that it has been explored to make sure that it is minimally interrupted to traffic flow on I-67.

Chair Nytes said that Councillor Brown is very concerned about the efforts to ensure that affordable housing is being provided out in the township areas. She asked who monitors compliance on things such as the supportive services plan. Mr. Hubbard said that the Indiana Housing and Community Development Authority (IHCDA), who issues the bonds, will do an initial inspection when the project is completed and a complete inspection at least once every three years. IHCDA will monitor services, credit counseling, rent levels, income levels, and the physical plan. Mr. Morgan said that an annual report is also required to be sent to the City as to the number of jobs that were created.

Chair Nytes asked if this project will be back before the Committee again at a later date. Mr. Morgan answered in the affirmative and stated that after the inducement, it goes to the full Council, and if they pass the resolution, volume cap and tax credits will be sought from the State. Then they will return for final resolution and final bond ordinance. Chair Nytes asked what the deadline is for the State process. Mr. Hubbard said that June 1<sup>st</sup> is when the application is sent in, and the State will award on October 27<sup>th</sup>. From the award date, the developer has 150 days to close on the loan.

Councillor Abdullah asked if there are any public hearings conducted for this project. Mr. Morgan said that there will be public hearings conducted at the Economic Development Commission once it reaches the final resolution phase, as there is a statutory requirement for public hearings.

Councillor Conley moved, seconded by Councillor Cain, to forward Proposal No. 165 to the full Council with a "Do Pass" recommendation. The motion carried by a vote of 6-0.

PROPOSAL NO. 100, 2006 – imposes a county economic development income tax on the adjusted gross income of county taxpayers – Public Hearing

Chair Nytes said that this proposal was introduced at the full Council as the result of several exploratory needs that were held in recent months. She said that those presenting are prepared to provide members of the Committee with additional information about how this economic development income tax would be utilized in Marion County. In addition, the State Legislature has passed House Enrolled Act (HEA) 1001, which has some interesting additional ramifications in regards to property taxes in the next couple of years. She said the proposal, as it was introduced, would allow the Committee to address the impact of the inventory rolling off the assessed value (AV) and also an opportunity to provide some additional revenues through income tax revenues for the additional funding of the public transportation system.

Mike Rodman, Marion County Treasurer, said that the good news is that the General Assembly has raised the State Homestead Credit from 20% to 28%, which will reduce the taxes that would be payable this year. Unfortunately, he said that most people will assume that their property taxes will go down. He said that the State sent the Treasurer's Office the revised rates this afternoon, and by performing a couple of examples on employees of the Treasurer's Office, it revealed that one person was fortunate to have their taxes decrease by about \$20, but another person's taxes will be increased by \$200. He said that the 8% credit spread among the different townships depends on where one lives and what the rates are for the services that are being provided in those townships. Mr. Rodman said that it is important for people to remember that the 28% State Tax Credit is only for this year. He said in 2007, the State is raising the Homestead Deduction from \$35,000 to \$45,000, depending on one's assessed value. He said that the Homestead Deduction is only for one year. Mr. Rodman distributed a handout (Exhibit A) and stated that there are some enhanced property taxpayer notifications that will be uniform for all counties beginning in 2008. [Clerk's note: A full printout of Exhibit A is on file in the Council office with the original set of minutes.] Mr. Rodman said that the new tax bill will show how much of one's total tax liability is attributed to each taxing unit and how each unit's share of the total liability has changed in dollars and percentage. He said that the first page of Exhibit A is a taxpayer prior notification that the Treasurer's Office will have to send out. The second page of Exhibit A gives the information of what has to be included on the prior notification, so there will be even more information than what is included on the first page. He said that he hopes that the General Assembly will make adjustments to this change, as the new form may produce calls to the Treasurer's Office with many questions and the Treasurer's Office will not be equipped to answer some of the questions, but only be able to direct constituents to call other departments.

[Clerk's note: A printout of the presentation (Exhibit B) was given to the Committee and is on file in the Council office with the original set of minutes.]

Chair Nytes stated that the items that Cindy Land, Treasurer's Administrative Deputy, will be discussing are new elements that are now in place because of HEA 1001. These things are being examined because the way they are played out may have some impact on how the Committee chooses to proceed with the proposal about imposing the Economic Development Income Tax. Ms. Land referenced the bill Mr. Rodman discussed and said

that a law was passed several years ago that had certain elements to be shown on the statement, but HEA 1001 has expanded the scope that includes much more information.

The presentation had the following highlights:

- A law has been expanded that will require a 2% of AV cap on property tax liability for all residential property and apartment complexes beginning 2008, payable 2009.
  - The gross assessed value is to be multiplied by 2% and a constituent's bill cannot exceed that amount.
  - If any exceed the maximum amount, a credit must be applied so that the constituent does not get billed for it; however, the credit is not revenue that can be replaced by any units of government.
  - Ms. Land had a preliminary test run on residential and apartment units using last year's information that revealed that the amount of dollars that would be lost is over \$29 million, of which schools may be 50%. She said that this limit will apply to all property in 2010.
- The adoption of a County Economic Development Income Tax (CEDIT) extends the time in 2006 so that an additional rate may be imposed to provide property tax relief to lessen the effects of the end of the inventory tax.
  - The Inventory Tax will be removed next year, the Homestead Credit will be removed next year, and the deduction will be increased for residential property, which will shift and create tax rate increases for other taxpayers.

Councillor Sanders asked what percentage of the City's total revenue that amount represents. Ms. Land said that she can get that information to submit to the Committee, but does not currently have the information. She said that the Legislature is predicting that the new trending that is to go into effect for assessors is going to be enough to cover the difference.

Ms. Land concluded the presentation, which included examples of actual bills. The bills included:

- The parcel number of the taxpayer
- The assessments, exemptions, and exemption types
- The total tax amount that is then divided into half for the Spring bill and half for the Fall bill
- Currently, a breakdown of where funds are based on the tax district.

Mr. Brown commented on the presentation with the following key points:

- The next example of a bill was not an actual bill calculated by the Treasurer's Office, but was able to take the previous calculations with the new rates and guess at what an increased Homestead Credit would be going from 20% to 28%. A homeowner's taxes could result in an increase of about \$20 per six months with the Homestead Credit, as opposed to a \$160 per six month increase without the Homestead Credit.

- The next slide shows an increase in Homestead Credit going away and an increase in the Homestead deduction going from 35% to 45%, which would result in a \$331 for the year for the property used in the example.
- The next five slides illustrate numbers from the impact of the inventory AV loss that have been updated to include an estimated increase in Homestead Deduction that would occur in 2007.
- The last slide shows figures from a study that represent the Inventory AV, the inventory tax dollars, the amount needed for additional Homestead relief between the two years based on the updated information, and what EDIT rate would be necessary to be able to fund it.

Councillor Sanders asked if someone could explain what it takes for a homeowner to be eligible for the Homestead Credit and when the deadline is to file. Ms. Land said that legislation has been passed that extends the deadline from May 10 to June 10. She said that if people call the Treasurer's Office, they will refer constituents to the Auditor's Office to apply if the Treasurer's Office notices that the constituent has not filed. Mr. Rodman said that there are many senior citizens that are not aware and have not filed for the exemption.

Councillor Abdullah said that these are very scary numbers and asked what the remedy would be in coming back from these changes. Mr. Rodman said that the hope is that the General Assembly will look at these numbers and make adjustments. He said that the City also desperately needs a new property tax computer system. Councillor Abdullah asked if the Homestead Deduction can be initiated or automatically done by the Treasurer's Office. Ms. Land said that the taxpayer has to apply themselves through the Auditor's Office the current year for the deduction to apply to the following year.

Mr. Brown said that there is no money set aside for a deduction of AV. Ms. Land said that the deduction is not State funded, it is taxpayer funded. Mr. Brown said that the Fiscal Impact Statement (Exhibit C) states that doing the deduction will save the State money. Chair Nytes said that she had seen a study that indicated that the growth in the Property Tax Replacement Credit (PTRC) was slower and the State thought that they may have some room to reimburse counties. Mr. Brown said that the final answer on that is not known.

[Clerk's note: A full printout of Exhibit C is on file in the Council office with the original set of minutes.]

Councillor Randolph asked if the numbers include all the new debt that the City is owed by individual taxpayers. Mr. Brown answered in the negative and said that the numbers shown are assuming that rates would stay the same. Councillor Randolph asked if there are any fund balances to offset the amount that would have to be written off if the 2% cap is reached. Bob Clifford, City Controller, answered that there is nothing in the fund balances at the levels that Ms. Land mentioned. He said that debt that is secured by property taxes is outside the 2% cap. He said that could worsen the problem, which would likely get worse for 2007 and 2008. Mr. Clifford said that 50% of the property

taxes are done by the school corporations; therefore, are not part of the Council. He said that the Council approves the budget for about 30% of the taxes.

Chair Nytes said that the Council is in a position to approve any additional Homestead Credit that might be funded through the income tax, but not in a position to approve all of the spending that would drive up the tax rates that the Council would be trying to offset.

Councillor Randolph asked if there will be anyone caught in the middle of the tax shift. Mr. Brown answered in the affirmative and said that the percent shift are from businesses with inventory over to everyone else, and now HEA 1001 shifts those amounts over to owners of residential properties, apartments, and businesses without inventory. They will see a potential 10.6% increase in property taxes because of the two actions.

Chair Nytes asked if it is true that a decimal cannot be approved when looking at rates. Ms. Land answered in the affirmative. Mr. Clifford said that the limit for this purpose is .25%. Chair Nytes asked if, according to the calculations, at least half of what is allowed be needed in order to provide the Homestead relief. Mr. Clifford answered in the affirmative.

Chair Nytes said that HEA 1001 does allow the amount of Homestead Credit to be allocated in different proportions to different taxing districts. Ms. Land said that it would be difficult to implement that, but it is what is allowed. Chair Nytes said that HEA 1001 also illustrates that those who would be eligible for the Homestead Credit also includes for some type of rental units (four or less).

Paul Ricketts, Lawrence Township Assessor, said that some taxpayers will be for "trending", and some will be against it. He said that each year "trending" will try to capture what the market has in certain areas. It will basically work to bring all the homes within an area into the same market value. For example, if the area is at \$100,000, most of the homes must sell between \$90,000 and \$110,000. If later, the homes are shown to sell for more, a reassessment will be done to bring the area into the correct market. Mr. Ricketts said that it is very difficult on commercial properties to use the market approach because there are not many commercial properties that actually sell. He said to achieve the "trending" goal, appraisers' expertise will be used throughout the county to discover what the trends are and try to average for the County. He said that there still may be a potential problem of incorrect assessments, which will result in some taxes going up and some going down. Assessments will vary from neighborhood to neighborhood.

Councillor Abdullah asked if there is an older neighborhood that has newer homes built within the area, if "trending" would potentially increase the assessed values of the older homes. Mr. Ricketts answered in the affirmative. Councillor Abdullah asked if it would also affect homes under \$100,000. Mr. Ricketts answered that it would affect those homes if the newer, more expensive homes are pulling the market value up.



Chair Nytes said that this discussion was to propose the consideration of an EDIT tax that would be used to help offset some of the features that have been discussed and for the revenue to assist in providing some support to IndyGo.

Morton Marcus, citizen, said that he was a teacher at Indiana University for 33 years and lives on the Northeast side of town. Mr. Marcus said that he believes that using the EDIT tax to reduce the burden on homeowners is a mistake. He said that he does not believe the Indiana homeowners bear high property taxes compared to other states. He said that he does not believe that government should interfere in the decision of a person to own or purchase a home and should be biased against renters. He said that the EDIT tax should be used for economic development; therefore, using it for IndyGo is a great idea.

Councillor Randolph asked if Mr. Marcus can differentiate between a bias toward homeowners versus a bias toward people who ride the bus. Mr. Marcus said that everyone who drives a car benefits from someone who rides the bus because of the congestion and pollution factors. Councillor Randolph asked if the same argument can be made that everyone who lives in an apartment benefits from those who live in a house. Mr. Marcus said that he cannot make that argument.

Andrea Thomas, Finance Secretary for Amalgamated Transit Union, asked to what portion of IndyGo the tax would be allocated, if allocated. She said that she has heard that the money would go to routes on the outskirts of the City. Councillor Gibson said that the purpose of the funding from CEDIT is to give a one-time infusion of cash to help grow IndyGo's city operations by providing more routes, more frequency of routes, and more convenience for people.

Councillor Gibson said that he believes that IndyGo must be grown to meet the City's needs in terms of transportation. He formed a working group last year with the Mayor's Office, Council leadership, IndyGo, and the Indianapolis Chamber that has talked about ways to come up with dedicated funding to help grow IndyGo in the future. Councillor Gibson said that he knows, first-hand, the importance of public transportation. Mayor Peterson convened a task force to study IndyGo and the vision of that task force was that public transportation is vital to the economic development and continued growth of Indianapolis. The transportation should be able to effectively provide services to the area and is customer focused. One study indicated that every \$10 million invested in public transportation creates 314 jobs and yields about \$30 million in sales. Councillor Gibson said that Indianapolis has one of the highest foreclosures on homes and it is ridiculous that the citizens have to decide between a home and transportation. He said that Central Indiana Coalition on Aging (CICOA) talks about the fastest growing population in Indianapolis is the seniors and public transportation provides mobility and independence for seniors. He believes that the Regional Transportation Authority (RTA) is needed, but Indianapolis first needs a viable growing bus system in Indianapolis to meet the needs of the people.

Councillor Gibson said in looking at all the fiscal crises that the County is facing, he does not believe that this one-time infusion of funds to IndyGo is appropriate at this time. He

said that maybe a holistic approach of how critical funding areas are funded should be taken, and IndyGo should be included in that approach. He asked if an amendment can be done to remove the IndyGo portion from the proposal as a possible funding solution for the future.

Chair Nytes said that the Committee is not prepared to verbally amend the proposal, but can possibly prepare that at another meeting. She said that another change that the State has made in HEA 1001 has extended the date to make a decision on the use of the EDIT for Homestead Credit to June 1<sup>st</sup>.

Councillor Sanders said that she agrees with Mr. Marcus that funding IndyGo is an economic development issue, and she is not prepared to address it. She believes that the Committee needs time to continue to gather more information and determine what action should be taken.

Councillor Conley moved, seconded by Councillor Sanders, to "Postpone" Proposal No. 100, 2006 until April 12, 2006. The motion carried by a vote of 6-0.

#### CONCLUSION

With no further business, and upon motion duly made, the Economic Development Committee of the City-County Council was adjourned at 6:25 p.m.

Respectfully Submitted,

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Jackie Nytes, Chair

JN/nsm